GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:2708
ANSWERED ON:01.08.2002
CANCELLATION OF LOAN BY WORLD BANK
DINESH CHANDRA YADAV;RAM JEEVAN SINGH

Will the Minister of POWER be pleased to state:

(a) whether the World Bank has threatened of cancelling of loan package for building wide power transmission system by the public Sector Power Grid Corporation Limited;

(b) if so, the reasons therefor; and

(c) the details of the impact on the project in the event of cancellation of loan by World Bank?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) & (b) : POWERGRID signed an agreement with World Bank on 13th June, 2001 for a loan of US$ 450 million (Power system Development Project-II) for implementationof its various schemes including the scheme for establishment of a Backbone Telecom Network. While the other schemes for which the loan has been approved by the World Bank are under implementation by POWERGRID, the scheme for establishment of Backbone Telecom Network is at an advanced stage of investment approval. In the meanwhile, World Bank have intimated POWERGRID that if the decision of award of contract for the telecom component of the Power System Development Project-II is nottaken within the bid validity period, the Bank would have to consider mis-procurement under the general conditions applicable to loan agreements. This would mean that the contracts in question would not be financed by the Bank and the corresponding amount would be cancelled from the loan. World Bank has, however, been requested to permit extension of the bid validity by 3 months.

(c) : In case, the World Bank loan of US$ 117 million allocated for the telecomproject of POWERGRID does not become available to POWERGRID, the benefits ofdeemed export status and concessional custom duty would not be available to the project resulting in higher cost of the project.